

RESEARCH MEMO

Subject: Differences between the Cooperative Agreement* and JSR Agreement
To: NASA-Ames Code K
From: Karen Robbins, General Counsel, AmTech
Date: August 3, 1994

*(*NOTE: In this memo, the term Coop or Cooperative Agreement means the NASA Cooperative Agreement with for-profits)*

Background

In March 1992, Admiral Truly delegated authority to the Associate Administrator of Code C and Code R to "negotiate, execute, amend, and terminate certain Space Act agreements," defined as Joint Sponsored Research (JSR) Agreements. In February 1994, NASA Administrator Dan Goldin extended the delegation of authority.

The JSR Agreement was a critically important tool for NASA to engage in collaborative efforts with the private sector. It was, in 1992, the only legal vehicle that permitted collaborative projects in which NASA was able to fund a for-profit participant (i.e., other than a cost-shared procurement contract). Further, other attributes of the JSR Agreement, namely its dual-use focus and the flexibilities inherent in a Space Act agreement, made it a powerful tool for accomplishing technology transfer and commercialization.

As of 1994, there were two (non-contract) legal vehicles for funding a for-profit in a cooperative undertaking. A change occurred due to ARPA's Technology Reinvestment Program (TRP), which required a legal instrument through which NASA could implement TRP awards with for-profits entities. The Cooperative Agreement, previously restricted by NASA policy to nonprofit organizations, was modified to permit funding to for-profit entities, making it similar to the JSR Agreement.

The issue was consequently raised: what is the difference between the "new" Cooperative Agreement with industry and the Joint Sponsored Research Agreement?

Legal Basis for Distinction

From the perspective of legal authority, both the Cooperative Agreement (Coop) and the JSR Agreement are Space Act agreements. Yet, Space Act agreements are various and receive differing treatment. The Coop is a grant-type instrument which was classified in 1976 by the Federal Grant and Cooperative Act, more

commonly known as the Chiles Act. The Chiles Act provided a standardized definition of the cooperative agreement across the landscape of federal agencies, and laid the foundation for subsequent OMB regulations pertaining to cooperative agreements generally. The Coop, therefore, is subject to OMB regulations. The JSR Agreement, on the other hand, is not subject to OMB regulations. This distinction has already been shown to have consequences for NASA's ability to effectively develop commercialization "partnerships" with the private sector, and will be elaborated on below.

The JSR Agreement, unlike the Coop, traces its lineage to that particular portion of the Space Act (Section 203(c) 5) that permits NASA to enter into "other transactions". The JSR Agreement is a special purpose "other transaction," meaning that it is neither a contract, grant, or cooperative agreement. Standard federal rules and regulations, such as the OMB guidelines pertaining to grants and cooperative agreements and the Federal Acquisition Regulations (FAR) pertaining to contracts, do not pertain to "other transactions." NASA was specially endowed in its enabling legislation with the ability to conduct business through non standard practices, in recognition by Congress of NASA's unique charter and challenge. ARPA has since appropriated an "other transactions" authority for itself, based upon NASA's example. NASA has a long history of utilizing the "other transactions" authority for *unfunded* arrangements with the private sector, much the way other agencies have recently used the CRADA to share persons, equipment, facilities, and intellectual property with for-profits. But, unlike ARPA, NASA has traditionally avoided use of the "other transactions" authority for funded arrangements; that is, until the Administrator delegated authority for JSR Agreements.

Overview of Differences

In the course of fulfilling the terms of AmTech's MOA with NASA Headquarters and Cooperative Agreement with ARC, we have noted differences between the JSR Agreement and the Coop. This memo reports our findings to date. The main purpose of this memo is to demonstrate that there are differences between the Coop and the JSR Agreement and that the differences are not merely in the treatment of intellectual property rights, as has been suggested. The differences fall into two categories:

(1) Legal Factors

- (A) Agreement Purpose
- (B) Treatment of Specific Provisions
- (C) Sign-off

(2) Practices

- (A) Source of Agreement

- (B) Negotiation, and Agreement Look and Feel
- (C) Post-Signing Administration

Differences in Legal Factors

(A) Purposes of Agreement

Legal instruments are traditionally differentiated by their primary purposes. Thus, a contract is primarily for acquiring goods and services for use by the Government, while a grant is principally to provide assistance to the recipient. A Coop is a form of grant in which the Agency has substantial involvement. Thus, a Coop is principally to provide assistance to the recipient. In contrast, the principal purposes of the JSR Agreement, as spelled out in the Administrators' delegation of authority are (i) technology transfer; (ii) technology commercialization; and iii) jointly sponsored dual-use R&D.

The differences between the purposes of the Coop and the JSR Agreement impact the nature of the relationships created by them. Strictly speaking, the Coop's assistance purpose prohibits NASA from directing the work of the recipient or specifying deliverables. Our experience in developing dual-use partnerships shows that the NASA technical managers desire more ability to influence the direction and outcome of work than is appropriate under a Coop. The JSR Agreement is specifically intended for use where a NASA mission objective can be pursued in tandem with private sector objectives; thus, the NASA technology manager is likely as interested as his or her private sector counterpart in directing the course of work and defining the outcomes .

(B) Treatment of Specific Provisions

(i) JSRA Free From OMB Guidelines

As indicated earlier, a major difference between the JSR Agreement and the Coop is that OMB Guidelines do not pertain to the JSR Agreement. The flexibility to deviate from OMB standards can be a significant factor in NASA's ability to cement a partnership. A recent example of the need for such flexibility arose in the "ERAST" JSR Agreement. There, the private sector partners voiced strong requests that certain costs be treated as allowable expenses. One partner has indicated that its participation may hinge on the position NASA takes as to allowable costs. Those costs, considered reasonable under the circumstances by the NASA technical managers, are nevertheless not allowed under OMB Guidelines pertaining to cooperative agreements. Under the JSR Agreement, however, NASA has the discretion to treat such costs as allowable.

A further study of the OMB Guidelines pertaining to cooperative agreements will likely reveal other probable barriers to collaboration.

(ii) Project Management

The JSR Agreement is intended as a tool to promote dual-use technology development and transfer. NASA mission objectives are a critical component of each JSR project. As a result, the NASA technology manager normally has a high degree of interest in participating in decisionmaking concerning JSR project work and determining the outcomes. The JSR Agreement provides NASA managers complete flexibility to determine, in consort with the partner, the nature and extent of NASA's management role. Our experience with prototype JSR projects demonstrates that the degree of technical management NASA has sought in a JSR project falls along a broad spectrum and depends on such factors as the criticality of the project to NASA's mission, the extent of NASA funding, the degree of trust in the expertise of the partner, the scope of NASA's own capabilities in the field, etc. In response to the unique management requirements of JSR projects, JSR Agreements include novel management provisions. For example, the AGATE (General Aviation-LaRC) JSR Agreement will call for multiple management Councils, made up of NASA, FAA, for-profit, and nonprofit partners.

In contrast to the JSR Agreement, the Coop strictly limits the nature of NASA's management role. The standard Coop clause on point provides that the NASA Project Manager "shall have the authority to issue written *Technical Advice* which *suggests* redirecting the project work (e.g., by changing the emphasis among different tasks), or pursuing specific lines of inquiry likely to assist in accomplishing the effort" (emphasis added). (Code H recently issued model Cooperative Agreement clauses; quoted is MCA #16). The Coop is constrained by virtue of its purpose as an assistance instrument. NASA's management function can only be to advise and suggest, or it will be overreaching the assistance role.

(iii) Disposition of Tangible Property

The JSR Agreement permits NASA to negotiate with its for-profit partner concerning who will own equipment purchased by the partner with Government funds. Our experience shows that in collaborative undertakings with commercialization goals, it is not always optimal for NASA to retain ownership of purchased equipment. The NASA technology manager is not uniformly interested in owning equipment purchased by the partner with government funds, especially if the equipment is a key asset to the partner's future ability to commercialize technology. Further, the NASA manager may prefer to concede rights to equipment--that the Government would likely warehouse, in any case--in exchange for the partner's commitment of additional resource to the joint project. In one actual instance, a prospective partner wanted assurances of the right to retain equipment, because removal of the equipment was expected to be highly disruptive to the partner's operations. While the JSR Agreement provides the flexibility to negotiate, the Coop's standard clause does not permit the for-

profit partner to retain ownership of equipment. MCA clause #19 provides that "the government shall have title to equipment and other personal property acquired with government funds".

(iv) Resource Sharing

Resource sharing between NASA and the private sector partner(s) is a basic tenet of collaboration. The delegation of authority for the JSR Agreement does not require any specific balance between NASA and private funds (some government programs require a 50-50 match, for example), nor does it set forth the types of private sector resources that can be taken into account in establishing a balance. Code C has taken the position in the JSR Program (preliminary) Program Information Package, March 1994, that a partner's intellectual property can be counted toward its resource sharing obligations. This position is in direct conflict with the position taken by Code H as to Coops.

Admittedly, there are significant challenges involved in valuing intellectual property which may make it an onerous consideration. Yet, intellectual property is often a critical asset of a private sector technology developer, and may be the most important and valuable asset that party brings to a project with NASA. Our research indicates that if NASA is to promote jointly sponsored R&D and commercialization, it is important to preserve the flexibility provided by the JSR Agreement to recognize intellectual property assets as shared resources.

(v) Intellectual Property Rights

NASA has greater flexibility to negotiate the allocation of rights to intellectual property in an "other transaction" than in a Coop. The major difference is that NASA can waive the government license to inventions made by the partner under an "other transaction", whereas in a Coop, NASA is required to retain its government license to inventions made by the partner. This matter is considered by some companies considering partnerships with NASA to be very significant.

The predominant view within the NASA legal community--according to our research--is that the JSR Agreement, as an "other transaction", is different from the Coop with respect to this intellectual property matter. In fact, it appears that the difference in intellectual property treatment is the only distinction between the JSR Agreement and the Coop generally acknowledged by the NASA legal community.

It is ironic, therefore, that we report a surprising research finding: the intellectual property distinction does not hold up in light of a relevant and longstanding NASA policy pertaining to intellectual property. This confusion can be explained by examining the NASA policy toward intellectual property rights in some detail.

NASA has, on the one hand, recognized the right of the Agency to waive (or otherwise limit the scope of) its government license to inventions made under "other transactions". On the other hand, it has long been the Patent Office's policy that the waiver of the government license may only occur in those "other transactions" where the non-government party is not performing inventive work for the Agency. This class of "other transactions" is likely to occur where a non-government party seeks access to NASA facilities in order to run its experiments or test its own inventions. While an invention could conceivably result, it is not an expected part of the bargain, and NASA would be overreaching to assert government license rights in the company's invention.

The JSR Agreement presents an interesting dilemma. As a special purpose "other transaction", it is theoretically subject to the flexible intellectual property treatment in which the Agency waives its government license to inventions. But, as a NASA mission driven, dual-use instrument, it is a logical conclusion that any invention occurring under the JSR Agreement is inventive work for the Agency. As a result, NASA's present intellectual property policy would prevent the Agency from waiving its government license to inventions occurring in a JSR Agreement. In sum, the treatment of intellectual property under a JSR Agreement and a Coop may be theoretically distinct, but will in practice be identical.

This conclusion raises a consideration important to the goal of fostering collaborative activities. Perhaps it is timely to ask whether the traditional notion of "performing inventive work for the government" continues to be valid in the context of NASA's emerging mission of impacting U.S. competitiveness, as well as multipurpose partnership arrangements. Dual-use collaborations challenge conventional expectations. The ERAST JSR Agreement has already presented a novel situation in which inventive work is being performed, but more for commercial demonstration than "for the government." Said differently, NASA's government purpose is the commercial demonstration and application of the technology. The company partners desire that NASA limit its government license in resulting inventions, and although this result is consistent with NASA's real purposes in the ERAST project, the traditional intellectual property policy dictates that NASA retain a full government license in inventive works.

(C) Sign-off

An obvious distinction between the JSR Agreement and the Coop is the execution authority. Code H is authorized to execute Coops; JSR Agreements may be executed by the Associate Administrator for Code R and Code C, as well as the NASA Administrator.

Differences in Practices

(A) Source of Agreement

The impetus behind the making of a JSR Agreement and a Coop is distinctive. The JSR Agreement is a dual-use instrument, serving NASA mission objectives. As such, it is typical for NASA technical managers to seek private sector partners who will cooperatively undertake R&D projects defined by NASA. In contrast, the Coop with industry was structured to implement TRP awards, which are in the nature of unsolicited proposals. Coops mainly emerge from the private sector and need not be NASA mission related. In the JSR Agreement, funds provided by NASA for R&D are R-Top funds. The funds committed under a Coop are very often not even NASA funds; the funds may derive from ARPA and be provided to NASA for administration of the award.

The premise behind most Coops (i.e., the TRP and AITP approaches) is that the private sector will naturally form its teaming arrangement and solicit government support if a government funding pot is advertised. The JSR Agreement grows out of an entirely different and equally valid premise, that many worthwhile collaborative projects will not come to pass without the leadership of the NASA technical manager(s). Our experience in facilitating the formation of JSR Agreements confirms the validity of the premise of the JSR Program. Two striking examples of NASA leadership are the ERAST JSR Agreement and the AGATE JSR Agreement. ERAST creates a kind of "skunkworks" team of the leading small experimental aircraft developers. This grouping of rivals is not natural and would not occur were it not for the vision of NASA managers who see beyond corporate boundaries to a worldwide marketplace upon validation of the technology. The AGATE JSR is an ambitious effort to revitalize the U.S. general aviation industry by linking approximately 100 parties in a coordinated advanced technology demonstration project.

(B) Negotiation and Agreement Look and Feel

The Coop is administered by Code H. Code H has recently released a model Coop with standardized clauses. The first Coops with industry each contain the standardized clauses along with an individualized section setting forth a relatively brief statement of work. It is unknown to this author if, and to what extent, Code H is prepared to negotiate the terms of a Coop, other than the brief statement of work. The model agreement and the uniformity of the Coops executed to date suggest that Code H's approach is standardization.

The administration of the JSR Agreement is much different, of course. To date, Code C has been the primary office in charge of NASA-wide JSR project activities, while Code R has been an active technical-Code user. In recognition of

the unique nature of NASA driven, dual-use partnerships, and the complexities of projects such as ERAST and AGATE, Codes C and R have engaged a third party facilitator to study and foster the formation of JSR projects. Unlike the Coop, the JSR Agreement is not standardized, and is administered in a customized manner so as to be responsive to unusual, complex, multipurpose and multiparty relationships.

The Cooperative Agreement is organized so as to create a relationship between the Agency and a single party. In undertakings involving more than a single private sector participant, the Coop apparently necessitates that one private sector participant act as the leader for the non-government team and become the signatory with NASA, on behalf of the team. The Coop calls for the private sector teaming agreement to be attached to the Coop as a matter of reference (but not necessarily incorporation). The JSR Agreement is organized in a fundamentally different manner. It is potentially a far more complex and integrated legal document than the Coop, as it includes all direct promises between the Agency and each participant, as well as all agreements between the private sector participants which are pertinent to the project. The JSR Agreement addresses the entire set of relationships necessary to achieve the desired project goals, whereas the Coop is a narrowly focused relationship.

The wide purview of the JSR Agreement stems from the need for a tool to carry dual-use R&D through to commercial application. The JSR Agreement structures jointly sponsored technology development, identifies prospective commercial products, requires a meaningful commitment to pursue commercial applications of the resulting technology, and provides for a supportive allocation of intellectual property rights, including if appropriate, advanced licensing commitments. The JSR Agreement must be sufficiently comprehensive to create the incentive and structure for technology development, transfer, and commercialization. The Coop is simply not designed for these same purposes.

(C) Post-Signing Administration

The administration of the Coop and the JSR Agreement differs substantially. The Coop is administered by Code H, in the manner of traditional grant administration. The JSR Agreement, however, is unique in the aspect of post-signature handling. Code C has thus far retained a third party facilitator in the project to promote inter-party communication and decisionmaking, coordination of tasks, timely achievement of R&D objectives, financial and legal administration, and commercialization. The literature on technology transfer and R&D consortia strongly supports the value of an impartial party functioning as coordinator and intermediary in maintaining multipurpose, multiparty undertakings.

Conclusion

This memo seeks to demonstrate that the JSR Agreement is distinct from the Cooperative Agreement in legal authority, purpose, scope, contractual provisions, and practice. This list of distinctions is not exhaustive; we have merely presented a representative sampling of differences noted in the course of our research activities.